

VZCZCXRO0334
RR RUEHRG
DE RUEHSO #0706/01 3421123
ZNR UUUUU ZZH
R 081121Z DEC 09
FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC 0238
INFO RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHAC/AMEMBASSY ASUNCION
RUEHBO/AMEMBASSY BOGOTA
RUEHBR/AMEMBASSY BRASILIA
RUEHBU/AMEMBASSY BUENOS AIRES
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RUEHLP/AMEMBASSY LA PAZ
RUEHMN/AMEMBASSY MONTEVIDEO
RUEHPE/AMEMBASSY LIMA
RUEHRG/AMCONSUL RECIFE 0050
RUEHRI/AMCONSUL RIO DE JANEIRO
RUEHSG/AMEMBASSY SANTIAGO
RUEHSO/AMCONSUL SAO PAULO

UNCLAS SECTION 01 OF 02 SAO PAULO 000706

SENSITIVE
SIPDIS
STATE EEB/TPP/BTA PASS TO FTC

E.O. 12958: N/A

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SUBJECT: SAO PAULO KEY ECONOMIC DEVELOPMENTS, NOVEMBER 16-30, 2009

REF: BRASILIA 1383

¶1. (U) SUMMARY: This cable covers the period of November 16-30, 2009. It highlights economic, energy and science and technology developments in the Sao Paulo Consular District not covered by broader reporting. Some significant developments during the period were: the upcoming first wind power auction, the development of smart grid standards, and Sao Paulo's share of the national GDP. END SUMMARY.

Brazil's First Wind Power Auction Signals Energy Diversification

¶2. (U) Brazil is likely to hold its first wind power auction on December 14 that should result in the construction of two gigawatts of new electricity production and investment of US\$6 billion. The auction is attracting several international players - Energias de Portugal, Electricite de France, Spain's Iderbrola, and the US EnerFin - plus several Brazilian firms. The president of Abeeolica (the Brazilian Wind Power Association), Pedro Perrelli, lauded a record 441 proposals representing 13.3 gigawatts of potential power generation. Brazil's potential for wind energy is 143 gigawatts, concentrated around its blustery 4,600-mile coastline where most projects would be based. The government's goal is to build 10 gigawatts of wind power capacity by 2020 to diversify away from its 80 percent reliance on hydroelectricity. New hydro installations are increasingly held up over environmental concerns. The winners of this auction will get a 20-year power purchase agreement from the State.

Brazil Likely to Develop Smart Grid Standards by 2010

¶3. (SBU) The National Coordinator for Smart Grid Interoperability (NIST), Dr. George Arnold, visited Sao Paulo November 9-11 to provide a key note address at the most important Smart Grid Forum

in Latin America and to meet with Brazilian regulators and the U.S. private sector. According to data from the National Agency for Electric Energy, Brazil loses approximately US\$4 Billion from transmission inefficiencies and theft each year. These losses could be reduced with smart grid technologies. Their meetings identified areas of bilateral cooperation, including assisting Brazil in developing smart grid standards by July 2010. Adding more urgency to the situation, Brazilian experienced its first major blackout since 2003 affecting almost half of the country the last night of the conference. (Reftel A)

Possible Regulatory Changes in the Medical Devices Sector

14. (SBU) In response to Brazil's decision to begin new inspections in May 2010 of companies selling certain "high risk" in vitro diagnostic products and medical devices, Commercial Services Sao Paulo organized a technical seminar on November 4 with the inspecting agency (ANVISA) and 100 U.S. and Brazilian industry representatives to discuss regulatory changes in the medical devices sector. U.S. companies are concerned that ANVISA does not

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have enough resources to conduct the good manufacturing practices (GMP) inspections by the deadline, which could then jeopardize entry of over US\$800 million worth of U.S. exports. As a result of the seminar, ANVISA agreed to publish a technical note answering over 70 of industry's questions. ANVISA also agreed to improve its website with instructions on how to request an inspection appointment.

Sao Paulo increases its share of the country's GDP

15. (SBU) According to data from Brazil's Institute of Statistics and Geography (IBGE), the State of Sao Paulo has gradually increased its role in the country's economy in the last five years, despite national efforts of economic de-centralization. Sao Paulo's economy now accounts for 34 percent of the national GDP, up from 33 percent in 2004. This increase is mainly due to average industrial growth around 7.4 percent well above the country's average of 6.1 percent. Sao Paulo's industrial growth, which accounts for 44 percent of Brazil's industrial GDP, has occurred amid a decline in the fiscal advantages provided by other states to encourage private companies to set up industrial parks. As a result, Sao Paulo remains the largest contributor to the national GDP, with the State of Minas Gerais, a distant second, contributing 10 percent of the national GDP.
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